

Background on Croatia's NGO Sector

A. Country Overview

Croatia's journey to modern democratic nationhood and full participation in the global economy began in earnest in early 2000, after a decade of delay caused by conflict and political misrule. The breakup of Yugoslavia resulted in an independent Croatia in June 1991, but this important event was quickly followed by the outbreak of regional conflict in the Balkans that resulted in large-scale loss of life, massive displacement of population, significant destruction of property, and reduction in trade and industrial output.

The Dayton and Erdut peace accords of 1995 ended armed hostilities, and beginning in the mid-1990's Croatia enjoyed a period of economic growth fueled largely by increased consumption and expansive economic policies. But these trends proved unsustainable as the autocratic and highly nationalistic Government of President Franjo Tudjman and his Croatian Democratic Party (HDZ) distorted economic policy for their own political gain. The result was serious economic contraction in 1998 and 1999, accompanied by the collapse of much of the banking system and thousands of enterprises, both public and private. These events led in turn to high unemployment and the emergence of other social, political and economic problems.

When President Tudjman died in December 1999, the forces of popular opposition to his policies were already well on their way to electing a reform-minded Parliament and coalition Government in January 2000. Parliamentary elections were followed in early February by the election of Stipe Mesic, whose appeal was based on his promise to lead Croatia in an entirely new direction.

While these recent events have put Croatia on the road to a full democracy and a free-market economy, the path is likely to be long and difficult. Croatia's troubled economy, the legacies of four years of armed hostilities, and the complex political dynamic of a six-party coalition impede structural reform. Unemployment, currently estimated at 22 percent, is expected to grow as necessary economic restructuring, including the privatization of large state enterprises, takes place. In addition, large areas of the country are still dealing with the effects of war. These communities are economically devastated, host hundreds of thousands of internally displaced persons and refugees, and face serious ethnic divisions. Croatia's current six-party coalition government is inundated with demands—economic and political, domestic and international—for decisions and actions that strain relations among the coalition parties and impede its progress in moving forward with difficult reform measures.

B. International Donor Support of NGOs

A variety of international institutions – multilateral and bilateral, public and private – have provided significant financial support to NGOs in Croatia over the past decade. Much of this support has been targeted to the needs of war-affected areas, and therefore has primarily benefited NGOs working with refugees, internally displaced persons and minorities in the fields of humanitarian assistance, human rights, psycho-

social services, and legal assistance. Another focus of foreign donor assistance has been on developing the advocacy capacity of Croatian NGOs. To date, relatively little support has gone to community-based organizations implementing service delivery or community development projects outside the war-affected areas. The major foreign donors and their funding priorities are described below.

The European Union has provided grant support to NGOs working in democracy and humanitarian spheres. While support was previously provided from Brussels, projects are now being funded directly from Zagreb. In Spring 2001, the European Union expects to announce a new strategy for grantmaking to support civil society development in Croatia.

Several embassies in Zagreb, including those of the United States, Canada, Norway, and the Netherlands, provide small grants to NGOs to implement a variety of democracy and humanitarian assistance projects. Several of the German foundations, including Friedrich Ebert Stiftung, Friedrich Neuman Stiftung, Hanns-Seidel-Stiftung, and Heinrich-Boll-Stiftung, also support such projects.

The British Embassy's Civil Society Initiatives Fund (CSIF) has supported numerous NGO activities since its founding in 1999. Through CSIF, grants were provided for: advocacy on human rights issues, human rights monitoring, the promotion of free and fair elections, the development of local government-NGO partnerships in service delivery, and capacity-building within community-based organizations, NGOs, and local humanitarian organizations. As CSIF's activities draw to a close in 2001, the Embassy's Development Section is exploring future programming to support and sustain the growth of civil society in Croatia.

The Organization for Security and Cooperation in Europe (OSCE) provides technical assistance and small grants for NGOs at the grassroots level, as well as for NGOs. The OSCE and the UNDP are among several international organizations operating in Croatia.

The Regional Environmental Center for Central and Eastern Europe (REC), based in Hungary, is one of the major funders of environmental initiatives in Croatia.

Few U.S. private foundations are active in Croatia, although U.S. private donations support many of the organizations listed above. The Open Society Institute was one of the first donors in present and continues to play a major role in supporting Croatian civil society. Current funding priorities include human rights, community initiatives, NGO development, women's programs, ethnic minorities, and public policy reform. From its office in Washington, the National Endowment for Democracy supports a variety of democracy-building and human rights projects. The C.S. Mott Foundation recently began providing support to Croatian NGOs from its office in Prague. Mott is one of the few donors that currently supports organizational development and operating expenses, rather than limiting its support to project-based funding.

C. USAID Support for Civil Society

USAID has provided extensive support to Croatian NGOs in the form of grants, technical assistance and training since 1993. Until 1998, the focus of this assistance

was on NGOs working on war recovery efforts and advocacy NGOs. After 1998, USAID also began providing assistance to develop the NGO sector as a whole.

In the initial aftermath of the war, USAID's assistance was focused on NGOs working providing humanitarian aid and psycho-social assistance or promoting human rights, peace, and women's empowerment. From 1994 to 1998, support was provided to humanitarian assistance and human rights NGOs working in war-affected areas through an umbrella grant to the International Rescue Committee (IRC). From 1994 to 2000, America's Development Foundation (ADF) supported a network of NGOs providing legal services to refugees and displaced persons. The STAR Network, first affiliated with Delphi International and then with World Learning, has been working with women's groups in Croatia since 1994. Each of these programs combined grant support with training and technical assistance in order to build the organizational capacity of partner NGOs. During this period, USAID also sent many NGO leaders and activists to the United States for training in both technical and management issues.

USAID also provided significant financial support to the Croatian NGO sector through the Office of Transition Initiatives, which operated in Croatia from 1997 to 2000. During this time, OTI provided over two hundred grants to NGOs to implement projects that increased access to information, promoted public participation in decision-making, improved the transparency and accountability of government and public institutions, contributed to the return and reintegration of displaced persons and refugees, and fostered post-conflict resolution.

As the situation in the country stabilized, the focus of USAID/Croatia's programming shifted from humanitarian relief to development, thereby allowing USAID/Croatia to develop a program promoting the development of the overall NGO sector in Croatia, as opposed to select organizations working in specific fields. In 1998, the Academy for Educational Development (AED) won a contract to implement the three-year NGO Development Program.

Through AED, USAID's NGO Development Program has concentrated on building and improving an enabling environment to support the future development of the NGO sector as a whole. To do this, AED provided intensive training of trainers (TOT) to Croatians who have since established three organizations that provide training and technical assistance to other NGOs. During the past year, AED grants have also supported the creation of NGO resource centers in the cities of Rijeka, Osijek and Split. Other AED grants supported advocacy projects by established NGOs working in the fields of human rights/democratization, environmental protection, business/economic development, women's issues and social welfare/reconciliation.

D. CSOs in Croatia Today

There are currently approximately 20,000 NGOs registered in Croatia, over 18,000 of which operate at the local level. Approximately 1,000 of these are developed to the point of having an operating budget, their own premises, some office equipment, and a few regular staff members. Most of these NGOs work in fields that have received significant donor support, including human rights, women's rights, psycho-social

assistance, peace-building, and the environment. Groups in other sectors, including those working in social service delivery and culture, or at the community level (rather than fulfilling a national mission), have received less attention and assistance, and, as a result remain relatively less developed.

Before 1991, the ruling Communist Party of Yugoslavia (KPJ) kept a tight control on economic and political life in the country, leaving little room for independent civic initiatives. However, some active civic groups, mainly in the fields of the environment, women's rights, and sports and culture, did develop. While many of these groups were established within socialist organizations that were indirectly associated with the KPJ, they had some ability to act independently. Groups associated with the Catholic Church, including Caritas and the Red Cross, were also active.

Modern NGOs in Croatia began to develop after Croatia declared independence from Yugoslavia in June 1991. Since that time, NGO development has been shaped by the same factors that have formed the modern Croatian state: four years of armed hostilities that resulted in large-scale loss of life, property destruction, and population displacement, followed by the increasingly autocratic and highly nationalistic policies of the Croatian Democratic Party (HDZ) Government.

Many NGOs active in Croatia today were formed in response to the devastation of the war. From 1993 through 1995, foreign donor resources for war recovery efforts were tremendous. Fledgling Croatian organizations helped deploy tens of millions of dollars in donor resources to meet the staggering human needs of internally displaced persons and refugees from Bosnia and Herzegovina, to conduct human rights and peace-building activities, and to rebuild the physical infrastructure of the country. Their efforts resulted in significant improvements in the lives of many who were most directly affected by the war.

Meanwhile, from independence until parliamentary and presidential elections in January and February 2000, the Government of Croatia grew increasingly hostile toward NGO activities. Initiatives outside of government control—that is, all but a select few interest groups and charities that enjoyed government support—were viewed with suspicion and hostility, and were often labeled “anti-Croatian.” In 1997 a restrictive “Law on Associations” was passed that allowed the Government of Croatia considerable control over the right of association, including all aspects of NGO formation and dissolution. This law was recently declared unconstitutional.¹

NGOs played a critical role in the election of a new coalition government in early 2000, transforming generalized disaffection into focused, effective political action. Citizens Organized to Monitor Elections (GONG) mobilized and trained 7,000 volunteers to monitor both parliamentary and presidential elections. GLAS '99, a country-wide get-out-the-vote campaign organized by a coalition of 140 NGOs and

¹ Government restrictions on NGOs were mitigated by the formation of the Government Office for Cooperation with NGOs (Ured za udreuge, UzU) in November 1998. This Office began to bridge the rift between the Government and the Croatian NGO community by initiating a small grants program and taking responsibility for producing a new Draft Law on Associations. (The Draft is now awaiting its second reading in Parliament.) The UzU has become a leading voice in promoting Croatia's NGO sector through legislative and policy drafting, as well as through provision of financial support.

trade unions, created an effective media campaign that generated enormous public interest in political participation and improved the public image of NGOs generally.

Nevertheless, many leading Croatian NGOs bear the legacies of having operated in a restrictive political environment that limited their potential scope of activities and prevented them from building a base of financial and popular support within Croatian society. This isolation breeds mistrust among NGOs and exacerbates an already-heavy dependence on foreign donor funding that was a natural consequence of the sector's having served as a conduit for enormous levels of humanitarian assistance during and immediately after the war.

In contrast to the previous government, the new government has expressed support for NGOs, emphasizing their role in bringing positive changes and democracy to Croatia. To date, this rhetorical support has been slow to manifest itself in the concrete changes that are vital to the survival of the NGO sector, such as improvements in the legal framework within which NGOs operate, and several Ministers have publicly expressed their lack of confidence in NGOs. Nevertheless, Croatian NGOs now operate free of government harassment and enjoy unprecedented opportunities to carry out their missions at both the national and the local level. The sector's human capacity is tremendous, and the long-term prospects for its development are excellent, despite the numerous constraints Croatia's NGO sector now faces.

E. Constraints to NGO Development in Croatia

The number, range and capacity of Croatian NGOs has increased significantly over the past decade. However, despite these advances, the NGO sector continues to face significant obstacles to long-term sustainability, particularly in the areas of legal environment, organizational capacity, financial viability, infrastructure, and public image. USAID believes the following constraints are among the most important:

1) Legal Environment

NGOs in Croatia operate under the 1995 Law on Foundations and Funds and the 1997 Law on Associations. The Law on Foundations and Funds is very restrictive, conferring upon the government a great deal of unwarranted power regarding the appointment of organizations' managing bodies. As a result, there are fewer than 40 foundations registered in Croatia.

In comparison, the Law on Associations is reasonably transparent regarding the internal management, scope of permissible activities and financial reporting of associations. However, it has been criticized for providing registration officials with excessive discretion, lacking safeguards in the event of involuntary dissolution proceedings, requiring an excessive number of founders, and imposing severe property transfer restrictions. The Ministry of Justice has recently finalized a new draft Law on Associations. Thanks largely to the efforts of the Government's Office of NGO Cooperation, the NGO sector had significant input into the content of this law. Three NGO activists were members of the drafting committee, and the draft law was made available to the public through the Office of NGO Cooperation's web page. The current draft is a significant improvement over the current Law on Associations and Parliament is expected to pass it in the first half of 2001.

USAID supports improvements in the legal environment governing NGOs through a cooperative agreement with the International Center for Not-for-Profit Law (ICNL). ICNL provided instrumental assistance during the drafting of the Law on Associations and has also been involved in proposals on a comprehensive tax package impacting NGOs. Over the next three years, ICNL will continue its work to improve the legislative environment impacting NGOs and to build local capacity on legal issues affecting NGOs.

2) Organizational Capacity

The organizational capacity of most Croatian NGOs remains low. Few organizations have paid staff members, strategic plans, coherent management structures, or adequate equipment. This situation is the result of the historical factors described above, and is now exacerbated by the precarious financial situation in which most NGOs find themselves; NGOs simply lack the financial resources needed to stabilize and professionalize their operations. While leading NGOs have overcome many of these problems, they often lack or have weak organizational capacity in other areas critical to their long-term sustainability, including board development, coalition building, and constituency building and outreach skills.

3) Financial Viability

As a result of the serious economic and social difficulties in the country, financial viability continues to be the largest obstacle to the sustainability of the NGO sector in Croatia. The key to financial sustainability is to expand the sources of support an NGO has access to, thereby decreasing dependency on individual donors/supporters. To date, Croatian NGOs, particularly leading NGOs and intermediate support organizations, remain largely dependent on foreign donor support. Local support has been slow to develop and the continuing economic problems in the country make it unrealistic to expect local funding to replace foreign support of the sector in the near future. However, it is critical to begin increasing local government support and private philanthropy to begin replacing declining foreign donor support of the sector.

While local government support of the sector is still rare, some NGOs do secure funding or in-kind support (most often in the form of office space) from their local governments and several larger NGOs have also entered into contracts with local governments to provide social services. However, this support is often the result of personal connections with local government officials, as opposed to open and transparent competitions. Several governments, including those in Rijeka, Split, Zagreb and Osijek, are increasingly showing an interest in developing partner relationships with NGOs.

Individuals and businesses provide little support for NGOs. A handful of companies, including Pliva Pharmaceuticals and Zagrebacka Banka, support NGO projects. At the same time as these local sources of support are developed, NGOs need to learn to look for sources of funding within their own communities, rather than preferring to turn to foreign donors to finance their operations.

4) Infrastructure

Overall, the infrastructure of the NGO sector in Croatia remains weak, with few local organizations focused on supporting the development of the sector of the whole.

However, there has been significant progress in this regard over the past year. Three new training organizations have been established to offer courses on critical topics such as organizational development, strategic planning, fund-raising, proposal writing, advocacy, volunteerism, and media relations. In addition, three new NGO support centers have been created. While these are positive developments, it is still too early to tell how effective and sustainable these organizations will be.

There is also a relative lack of coherence and unity within the sector. Some networks do exist among NGOs working in certain fields, including women's rights, human rights, legal services, humanitarian relief and environmental issues. However, there are very few sector-wide coalitions or networks. Glas '99, a coalition of approximately 140 NGOs that formed around the 1999 Parliamentary elections, is one of the few examples of the sector coming together around an issue. There have been some recent signs that the sector is coming together, however.

5) Public Image

Although the NGO-led civic education and get-out-the-vote campaign during the presidential and parliamentary elections contributed significantly to improvements in the public image of the NGO sector in Croatia, public understanding of and support for the sector remains limited. Most government officials and businesspersons also have a limited understanding of the role, capacity and value of NGOs. NGOs receive little coverage in the media and have weak media relations skills, making it difficult for them to project a more positive image.